



tandiatm

2016 ANNUAL
REPORT

Tandia: the more neighbourly way

We are proud of our cooperative approach to financial services that is focused on enriching your financial health while also investing in the communities that we serve to make a positive financial and social impact.

The name 'Tandia' was created by bringing together two meaningful words, 'tandem' which means 'together' and 'dia', the Spanish word for 'day'. This portmanteau conveys our vision and values and our promise to work closely alongside our members every day to help you build a healthy and prosperous future.

Our vision

Tandia is driven to lead the credit union movement by delivering unparalleled products and services through a mutually rewarding relationship with our members and the communities within which we operate.

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Tandia Financial Credit Union Limited operating as Tandia™

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Deposits are insured by the Deposit Insurance Corporation of Ontario. Deposits in registered plans are fully insured. Other Canadian dollar deposits are insured up to \$100,000. For further information on deposit insurance, please ask for a brochure, call DICO at 1.800.268.6653 or log on to their website at www.dico.com.

Board of Directors Report



ELAINE SIMON
BOARD CHAIR

The Board of Directors is pleased to offer this report as part of the Annual General Meeting of Tandia Financial Credit Union.

Once again the Board continued to operate through scheduled quarterly meetings, with 100% attendance. Additional committee meetings were called throughout the year to expedite the business of the Credit Union.

An information or teaching session begins each of our full Board meetings. This year has seen a concerted effort around financial reporting. This, of course, is an area of continual change and the Board makes every effort to be informed with current information in regards to both the regulatory environment and the changing financial landscape.

This election cycle sees the Board achieve its goal of nine Board members, a reduction of one. Accepted business practice tells us that nine is the optimum number of directors that can work effectively around the table, while still maintaining work efficiency at the committee level.

The Board completed its annual Board Self-Assessment and also participated in a full day Strategic Planning session in the late spring 2016.

A recurring question for the Board related directly to our membership is, "What are our members' needs and is Tandia meeting those needs?" We have partnered with Corporate Insights who, throughout most of 2016, have been answering those exact questions and more. Further details on their findings are found separately in this Report.

On behalf of the Board of Directors and Senior Management, we take this opportunity to thank our members who support us and spread the word about the benefits of belonging to a Credit Union.

We also thank our many employees for their ongoing efforts to provide a mutually rewarding experience for our members and the communities in which we operate.

BOARD OF DIRECTORS

	TERM EXPIRY		TERM EXPIRY
Jacqueline Aird	2017	Wayne Joudrie, Vice Chair	2019
Carol Churchward	2018	Sharon O'Driscoll	2017
John Deven	2019	Dan Popov	2018
Nancy DiGregorio	2017	Elaine Simon, Chair	2017
Ivana Fortino	2018	Michael Veerman	2019

President & Chief Executive Officer's Report



RICHARD DAVIES
PRESIDENT & CEO

A Year of Change

2016 was a year of success in the face of significant change. Early on in the year we saw mortgage rates dip and financial margins further compressed. We saw interest rates swing from the expectation of falling rates to the expectation of rising rates. With the election of a new President south of the border it appeared likely that US rates should rise much sooner than Canadian rates causing a potentially larger inter-country interest rate gap than we have seen in quite some time. The result was downward pressure on the Canadian dollar. The real estate market accelerated at a pace that many economists and regulators felt was unsustainable. These concerns resulted in regulatory changes to qualifying criteria for Canada Mortgage and Housing Corporation (CMHC) mortgage insurance that made it considerably harder for individuals to qualify for high ratio mortgage insurance.

In 2016 the Credit Union and Caisses Populaires Act was reviewed by the provincial government resulting in recommendations for significant restructuring of our regulatory environment under a new regulatory body, yet to be formed. A significant positive development in the review was the recommendation that deposit insurance on non-registered deposits be increased to \$250,000 from the current \$100,000. Along with the positive recommended changes came a number of additional regulatory requirements that will add to our current regulatory burden and that is expected to continue into the future.

We are thrilled that the members once again demonstrated their confidence in Tandia and fully subscribed our issue of \$15 million in investment shares. We have a capital position well in excess of the regulatory requirements and the additional capital enables Tandia to plan for continued growth well into the future.

Tandia had a successful year with on-balance sheet growth of 6% to \$965 million as well as 9% growth in wealth services to a total portfolio of \$230 million. Including our investment shares, our funds under management now exceed \$1.8 billion. In addition, we experienced significant growth of 12% in our commercial loan portfolio and we anticipate continued robust growth in this area over the next few years. Throughout 2016 we continued our focus on reducing costs and we succeeded in dropping operating costs as a percentage of assets to 2.20% down from 2.29% in 2015. We are very pleased with the results of our attention to financial margin during 2016. In spite of the compression of interest rates we were able to improve the financial margin by 8% which, along with cost control, contributed to the increase in net income by 162% to \$1.3 million.

Member Experience

Improving the member experience is a high priority at Tandia and 2016 had a number of initiatives directed towards that goal. Our branch channel is one area that we work hard to improve in concert with the rapidly evolving preferences of how our members choose to interact with us. Our Acton branch had a complete renovation and is much more inviting to our members. Towards the end of the year we also began renovations on our Georgetown branch to bring it up to modern standards as well as to be a better experience. We continue to see consistent and rapid growth in our commercial lending and to make space for our growing team we repurposed our Milton Holly branch as a Commercial Lending Centre. We identified that foot traffic at the branch was minimal and many members had increased their use of our electronic channels as well as the Member Solutions Centre or they were frequenting the Milton Main Street branch. This resulted in utilizing the Holly branch for the rising number of commercial members and we will continue to provide the personal service to members from our Milton Main Street branch.

President & Chief Executive Officer's Report

We rolled out our Tandia app for Apple and Android phones in late 2015 and the growth rate of adoption was exponential throughout the whole year in 2016. We are very excited by the rapid adoption rate of technology by our members. The pace of uptake has continued into 2017 and we plan to continue our investment in this channel to continuously increase the value to our members.

Our Wealth Services continues to grow rapidly and so to address the member demand in this area we have added three additional advisors to maintain the level of personal service our members have come to expect. At year end we had in excess of \$230 million of member funds in Wealth Services and we anticipate this to continue to be one of our fastest growing areas of business.

On the technology front we completed the first phase of introducing an integrated calendar system called "Coconut Calendar" to simplify the process of booking appointments with all our people throughout Tandia. We are very excited about phase two in which we plan to roll out the ability for our members to be able to book appointments directly with Tandia staff themselves without having to be delayed on the phone.

Community Involvement

Tandia carried on with its longstanding support for various events in the education sector throughout 2016. We were excited to continue our support of Food4Kids during the year by contribution as well as volunteer support on packing and delivery days. We were thrilled to win a donation of \$25,000 to Food4Kids from our partner Concentra Financial as their top National prize for community support organizations. Once again we worked with Bell Media Radio Hamilton and The Salvation Army to sponsor "Toy Mountain" in Hamilton. Additionally we were very proud to again be able to support The Darling Home for Kids in Milton. This is a very unique home that provides highly specialized care for medically fragile children.

Looking Ahead

We are excited about the future of Tandia and will be continuing our focus on improving the member experience. Our goal is to make it easier for members to conduct business with us as well as being more convenient. We will continue to adapt to the rapidly changing ways our members do business by investing in technology while at the same time targeting the optimum balance sheet structure to maximize financial margin. 2017 will also be a year of continuing to adapt our operating structure to both our member preferences as well as to the substantial changes taking place in financial services delivery models for the future.

Sincere Thank You

The mission of our Credit Union is to serve our members. We are thrilled with our members increasing patronage of the Credit Union and do not take that privilege lightly. Thank you to our members for their support as well as to those of you that take the time to answer our surveys to help improve the value we can provide.

I personally would like to thank the dedicated management and staff that work so hard to provide exceptional service to our members regardless of the challenges the industry or economy presents. Without the great employees we have we wouldn't be the successful organization we are.

Last but not least I would like to thank the devoted and highly engaged Board of Directors for their direction and support of management. They have eagerly taken on the dramatically increased workload created by regulatory changes as well as changes in corporate governance and their enthusiasm is greatly appreciated. It is the contributions of many that make Tandia a Credit Union we can all be proud of.

Member Survey Highlights

We Asked, You Answered

At the end of 2015, Tandia partnered with a leading research company to implement an online Member Satisfaction Survey in order to hear directly from members on how we are doing. As a member owned Credit Union that is committed to exceptional service, we understand the importance of honest feedback from our membership. The information that is confidentially shared by our members not only assists us in growing our business, but allows us to ensure that our members are satisfied and that we are a valued partner on their financial journey. In addition, this information allows us to identify areas in which we should strive for improvement.

Last year we received almost 2,000 responses to our survey and we are happy to share some of the results.

Key Highlights

- 88% of members that responded were very happy with the service they have been receiving, with 56% totally satisfied
- Members continue to feel that Tandia staff are more than willing to help out when a problem occurs, as 88% rated us highly in this category
- 87% of members surveyed rate Tandia staff favourably for their knowledge of products and services
- More than 80% of members surveyed feel that our rates and fees are fair, and 50% believe that our rates are better than those of other Financial Institutions, and
- Over 84% of members rate us highly for our contribution to the community.

KEY PERFORMANCE HIGHLIGHTS



While we are proud of our Tandia team and pleased with the overall survey results, we decided to look deeper into our members' responses to uncover areas where we could further grow and improve. When assessing our results, the two areas that stood out as an opportunity for us to enhance our members' experience were "Ease of conducting business" and "Assistance with financial planning." As a result, plans were quickly put in place to ensure that we improve our members' satisfaction in these two areas.

In order to address any members' concerns regarding ease of conducting business with us, we have implemented specialized and focused training for all staff to ensure that they are well equipped to not only provide exceptional service but also to ensure that all transactions, from depositing a cheque to applying for a mortgage are performed efficiently and in a manner that is easily understood by our members. In addition, we have committed to effectively communicating with members about the resources that we have available to them, including the surcharge free ATM EXCHANGE® Network, the Member Solutions Centre and the Tandia mobile app, all of which make banking with Tandia easy and convenient.

At Tandia we are committed to the financial wellness of all of our members. Not only do we have the tools available to assist in developing sound and achievable financial plans but we also have skilled and experienced staff that can make this process less overwhelming for our members. Our survey results indicate that we have not had enough of these discussions with our members, therefore going forward it is our commitment to our members to guide them through their own personal financial journeys, while assisting them in achieving both their short and long term goals.

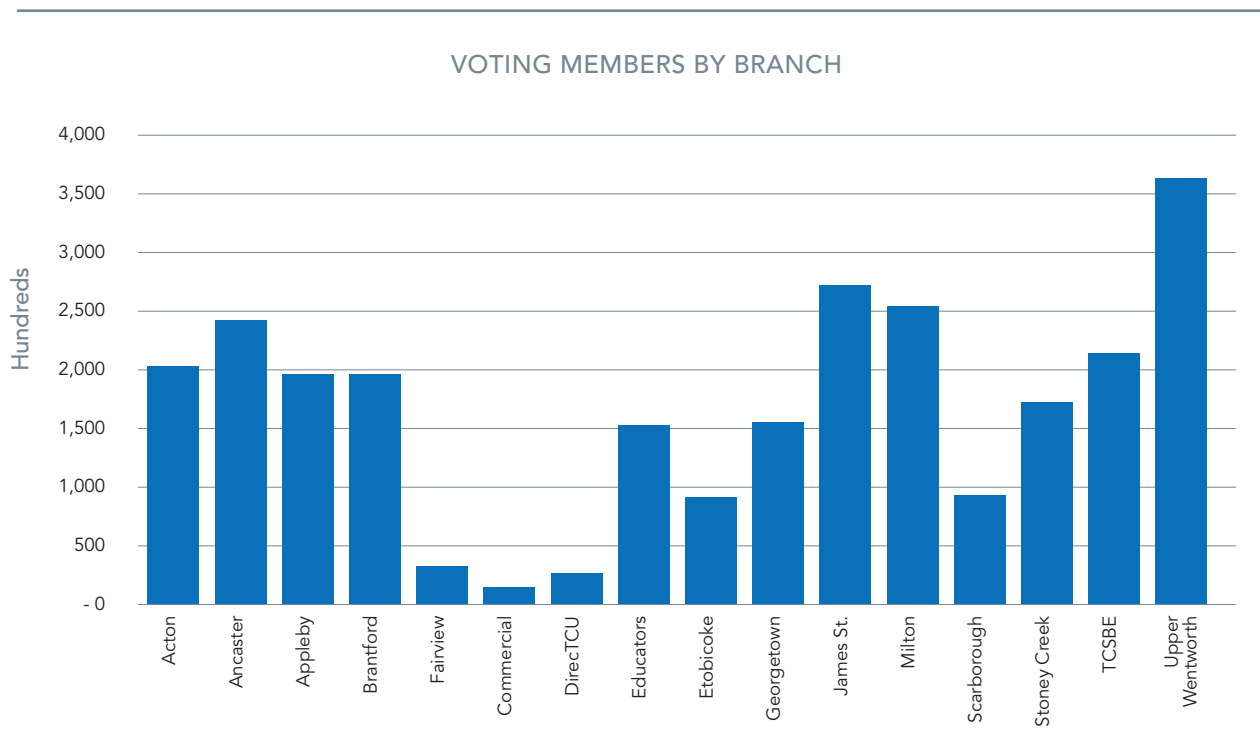
Once again, we would like to thank all of our members who took the time to participate in our survey and share their thoughts and ideas with us. As promised, for every survey completed Tandia donated \$5 to Food4Kids, resulting in a \$5,000 donation in total.

Throughout the coming year, we will continue to survey our members as we seek opportunities to continually improve our service and to ensure the ongoing satisfaction of our much valued members. We look forward to hearing from you!

Membership Report

Members entrusting their deposit and lending products with Tandia ended 2016 at 27,898. During the year Tandia not only continued to service existing members but also saw 977 new voting members and 57 youth members join our organization.

Member distribution across all of our branches is illustrated in the chart.



Member acquisition is important for Tandia to ensure we continue to prosper. A great way for us to accomplish this is by having our existing members refer family and friends. Thank you to those members who spoke up about Tandia as we were able to grow by 253 from this initiative. These new members contributed to Tandia's success in 2016 by entrusting us with \$17.3 million in deposits and utilizing our lending products amounting to \$5.6 million which represented combined new business of \$22.9 million.

Community Impact Report

Tandia continued its proud tradition of giving back generously to the communities we serve in 2016. It was important that we demonstrate in action as well as words that, in tandem with enriching our members' financial health, we were also investing in our communities to make a positive financial and social impact. It is a vital part of who we are and what we do and 2016 was our most exceptional year to date.

Throughout 2016, Tandia was highly active in investing over \$170,000 in event sponsorships, activities and charitable causes and donations benefiting all of the regions that we serve and the education community as well. We are pleased to share a summary of our highest-impact community involvement and charitable giving initiatives in this report to the membership.

National Recognition for Tandia Benefits Food4Kids

Tandia was most proud to be honoured with national recognition from Concentra Financial, Tandia's trustee for members' registered plan services. In the spring of 2016, Concentra encouraged credit unions across Canada to apply for their annual 'emPOWERING Your Communities' awards and we knew we had an exceptional charitable partner experience with **Food4Kids** to share. **Food4Kids** (food4kids.ca) is a local charitable organization with a mission to provide packages of healthy food for kids aged 5 – 14 with limited or no access to food each weekend. From donating and fundraising, to food-packing, to weekly package deliveries to schools, Tandia has worked with **Food4Kids** for three years now and has seen the demand grow and the number of children benefiting increase. At Concentra's annual meeting held in Saskatoon on May 2nd, Tandia was graced with one of the two top-value awards and was delighted to subsequently hand over a \$25,000 cheque to **Food4Kids**.



Richard Davies, President & CEO (centre) accepted the award from Ken Kosolofski, Concentra's President & CEO (left) and Morgan Wall, Account Officer (right)

Helping our Neighbours in Fort McMurray

Also in May of 2016, Tandia stepped up to help support the community of Fort McMurray that was so severely devastated by the wildfires and provided the ability for members to help too. On our website and in our branches, we provided members with access to a special donation link to the **Canadian Red Cross**. It was a coordinated effort among credit unions in Ontario and British Columbia to help our neighbours in Alberta in need. To help kick start donations, a total contribution of \$10,000 was made by Tandia, and included \$5,000 from the Tandia staff's Charitable Giving Fund. By mid-August, the Canadian Red Cross gratefully acknowledged that country-wide, \$165 million had been raised, allowing them to mobilize volunteers, staff and materials to ensure people had food, shelter, essential items and information as they awaited the day they could return home.





Vanessa Leonard, Manager, Member Solutions (left) and Jay Rodriguez, acting Manager, Business Development (right) present a cheque to one of our 10 adopted schools.

Adopt-A-School Continues

Tandia's own **Adopt-A-School Program** has been making a positive impact in high-needs schools in Brant County, the greater Hamilton area and Halton since 2009. Each year a group of schools are selected and funds are donated to them to assist with their nutrition programs, supplies, school trips, equipment and technology – wherever the greatest need for the particular school is. Also, staff are supported and encouraged to volunteer at these schools, even during working hours. In 2016, a total of **\$15,000** was donated to 10 schools located in Brant County, the greater Hamilton area, the Halton region and Toronto.



Staff members Martina Hachey and Steven Scott volunteered at the Toy Mountain booth at CF Lime Ridge.

A Mountain of Toys

Moving ahead to December 2016, Tandia helped build a mountain of toys by sponsoring for the second year, Hamilton's Toy Mountain in partnership with Bell Media Radio Hamilton and The Salvation Army. Toy Mountain is about helping families in need in the greater Hamilton area so their children can experience the joy of unwrapping a gift on Christmas morning. Toy Mountain was set up at CF Lime Ridge for their busy holiday shopping season. With Tandia's sponsorship, Bell Media Radio Hamilton ran an extensive ad campaign inviting listeners to drop off new and unwrapped toys at the Toy Mountain location, with plans in place to have all toys distributed by The Salvation Army just in time for Santa's visit. Tandia representatives were on hand on December 15th for the full day radio broadcast from CF Lime Ridge and enjoyed greeting shoppers and watching the mountain of toys grow. Over 15,000 toys were donated to Hamilton's Toy Mountain plus over \$2,000 in cash donations was collected on the broadcast day.



Michael Knight, Regional Manager and Richard Davies, President & CEO presented a cheque to The Darling Home's Kirsten Horrell and Melody Jackson.

Tandia's Holiday Gift to The Darling Home for Kids

Just before the 2016 holidays, Tandia was delighted to present a **\$10,000** gift to The Darling Home for Kids (darlinghomeforkids.ca), a facility located in Milton that serves the Halton community and cares for medically fragile and technology dependent children. They receive wonderful care in a beautiful, warm and home-like environment which provides comfort and a break to families facing the daily challenges of caring for a child with complex medical needs. A portion of the funds donated was used by The Darling Home for Kids to purchase appropriate toys for giving at their annual Family Holiday Party held just before Christmas. A team of Tandia staff volunteers were on hand to help and entertain the guests and Rick Ross from the Milton Main Street branch stood-in for the Jolly Old Man himself.

Additional Highlights

- In September, Tandia partnered with the Hamilton Fire Fighters to sponsor their First Responders' Hockey Tournament. The tournament raised \$10,000 for Food4Kids.
- Tandia was a major sponsor of The Darling Home For Kids' Wheels fundraising event held at the Mattamy National Cycling Centre in Milton last June.
- In recognition of member participation in our online Member Survey, Tandia made a \$5,000 donation to Food4Kids after 1,000 survey responses were received.
- Tandia financially supported and participated in various events organized by the Halton Hills Chamber of Commerce and the Milton Chamber of Commerce.
- Tandia was a sponsor of the Fall Fairs and Santa Claus Parades in Acton, Georgetown and Milton, plus Milton's annual Strawberry Fair.
- Tandia participated and helped raise \$1,700 for the annual Terry Fox Run in Acton.
- Tandia sponsored employee workshops, retirement dinners, various special events and classroom/student presentations for many school boards including the Hamilton Wentworth District School Board, Hamilton Wentworth Catholic District School Board, Halton District School Board and the Halton Catholic District School Board.
- Tandia's Toronto TCSBE branch supported various initiatives of the Toronto Catholic District School Board's Angel Foundation for Learning, including a \$1,000 graduating student scholarship.
- Tandia provided \$500 scholarships for Brock University and Nipissing University Faculties of Education.
- Tandia sponsored two \$1,000 Financial Literacy Challenge Awards for Brock University's Faculty of Education.
- Tandia awarded a \$1,000 Post Secondary Scholarship to Victoria Waud (Brantford Branch) and two \$500 runner-up scholarships were awarded to Steve Rielly (Ancaster Branch) and Abby Hill (Stoney Creek Branch).



Tandia helps the HPFFA present a cheque for \$10,000 to Food4Kids.



Elizabeth Koc, Manager Member Solutions (left) and Acton branch staff greeted participants at the finish line of the Terry Fox Run in Acton.



Marianne Patzalek, Manager, Member Solutions in Brantford presented a \$1,000 scholarship to member Victoria Waud.

SPECIAL THANKS

We gratefully acknowledge the enthusiastic support of our employees who contribute both their time and own money to support our charitable giving causes. Many give their own time to volunteer in schools and community organizations and provide monetary support through participation in Friday Dress-Down Days and fundraising contests throughout the year.

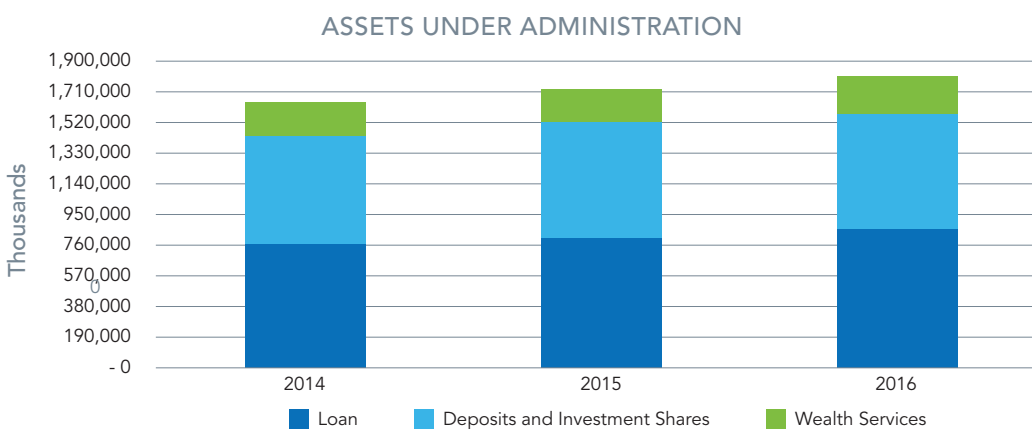
Financial Performance Highlights



SANDY ALWARD
SVP, FINANCE &
ADMINISTRATION

2016 marks the third year of operations as Tandia Financial Credit Union and to date is our most successful year which is reflected in our strong financial results. While the economy and competition continue to create many challenges for the credit union we have significantly improved our profitability during the year.

Total Assets Under Administration which include members' loans, on book deposits and investment shares and Wealth Services off book assets ended at \$1.8 billion, increasing 5% (or \$87 million) in the year as a result of growth in the balance sheet and the Wealth Services portfolio. Loans grew 9%, while the deposits and investment shares remained flat compared to 2015. Wealth Services deposits grew by 9% or \$19 million, net of fair market value.

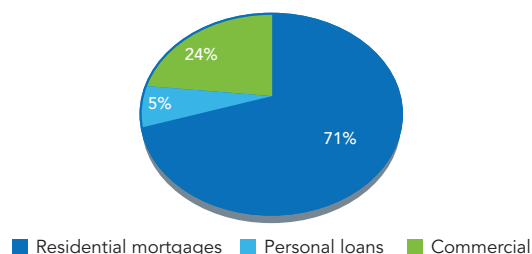


Our members continue to have a need for borrowing from Tandia and we had strong lending growth in 2016. The total loan portfolio grew by 9% or \$69 million to reach \$870 million at December 31. We had exceptional growth in our retail lending portfolio which includes residential mortgages and home equity lines of credit obtained through our branch network including our virtual channel and brokerage relationship. These loans increased by \$52 million or 9% in 2016. The personal lending portfolio declined by 11% or \$6 million this year. Similar to industry trends, the decrease in the personal lending portfolio reflects increased competition, soft demand and propensity for borrowers to use home equity for borrowing needs. Our growth in the commercial book of business obtained through our current commercial members, attracting new members through our new Centers of Influence and syndicate partners increased by 12% or \$22 million over 2015.

The following chart summarizes Tandia's total loan growth percentage year over year and the Portfolio mix is the ratio of a category to the total loan portfolio.

	2016 Growth	Portfolio Mix	2015 Growth	Portfolio Mix
Personal Loans	(11%)	5%	(6%)	7%
Residential Mortgages	9%	71%	6%	70%
Commercial Lending	12%	24%	13%	23%
Total	9%	100%	6%	100%

LOAN PORTFOLIO MIX



As part of our three year Strategic Business Plan, Tandia is focusing on restructuring the asset mix by increasing the proportion of commercial loans over total assets. This will effectively increase our return on assets to a level more consistent with industry peers.

The provision for impaired loans is monitored monthly by senior management and is presented to the Board on a quarterly basis. This report is reviewed to ensure compliance with Board policy and regulatory requirements. The allowance is comprised of two components, the first being the specific allowance which is calculated based on specific accounts that are in arrears or have been identified as doubtful. The second is the collective allowance which is a buffer for potential losses and would be calculated based on historical performance and management's prudent estimates. The loan allowance has declined slightly from the prior year to 0.18% of total loans and accrued interest from 0.19%. These ratios are significantly lower than the industry's loan allowance of 0.30% which reflect Tandia's prudent lending policies and practices.

Total growth in deposits and investment shares was flat compared to 2015. Total deposits shrunk by 2% as some of these funds were moved into Share Capital.

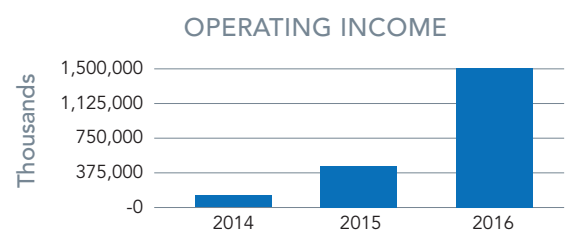
	2016	2015
Specific Allowance	\$391	\$464
Collective Allowance	\$1,181	\$1,018
Total Allowance	\$1,572	\$1,482
% of Loans and Accrued Interest	0.18%	0.19%
Write-offs	\$252	\$378
Recoveries	(\$57)	(\$3)
Net Write-offs	\$195	\$375

Tandia's Investment Share Offering was fully subscribed and we issued \$15 million in investment shares allowing our members to earn a dividend of 4.10% over the next five years. Also, Tandia inherited a significant number of non-member brokered deposits that we decided to let run off the books and instead offered the competitive rates to Tandia's own members. TFSA deposits recorded the strongest growth at 14% followed by chequing and savings accounts at 5% growth.

Members' confidence in the markets moved some deposits from on-balance sheet into Tandia's Wealth Services portfolio. Tandia's Wealth Services advisors continued to provide members access to financial planning services consisting of comprehensive investment and retirement solutions. The Wealth Services team achieved strong growth ending the year at \$230 million held in mutual funds, stocks and bonds. This was an increase of 9% over 2015. The Wealth Services portfolio contributes significantly to operating income and makes up over 13% of Tandia's total Assets Under Administration. Looking forward, we see a tremendous opportunity to further grow this book of business.

Since the demand for lending was higher than deposit growth, the difference was funded by Central 1 borrowings in addition to the continued use of securitizing pools of residential mortgages. The credit union securitized \$65 million in mortgages and totaled \$218 million at the end of 2016. The cash received from these pool sales was used to pay down the debt with Central 1. Securitization continues to be an attractive funding strategy as it provides access to long term funding at a low cost. However, as a result of the change in rules introduced by the Government of Canada in late 2016, Tandia will have less securitization funding available in 2017. Managing this funding strategy and liquidity is critical and management has strategies in place for 2017.

The graph below illustrates Tandia's pre-tax earnings over the past three years.

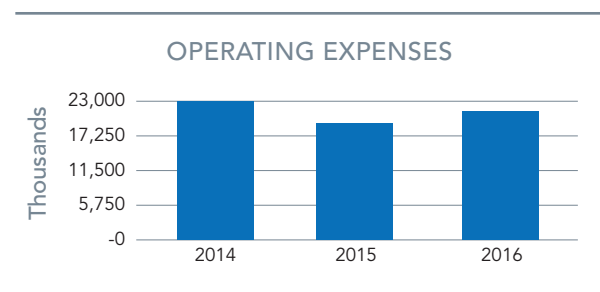


Our pre-tax operating income was \$1.5 million; a significant increase of \$1.1 million over 2015. The improvement in income is largely due to the fact that our financial margin improved significantly in 2016. The financial margin makes up 88% of the total revenues earned at Tandia.

The operating margin (financial revenues minus financial expenses) grew by 8% or \$1.4 million and ended the year at 1.96% of assets, an increase from 1.92% in 2015 and slightly better than the industry average in the third quarter of 2016 at 1.95%. Total financial revenues increased by 6% or \$1.7 million while the financial expense increased by only 3% or \$333 thousand. The significant asset growth contributed to the financial revenues and the depletion of the brokered deposits assisted in lowering financial expense. Also, our members preferred savings accounts over term deposits which contributed to the overall lower average cost of deposits. The average composite rate was 1.41% in 2016 compared to 1.53% in 2015.

Other (non-interest) income, which consists of service charges, insurance commissions, foreign exchange and lending fees ended at \$4.2 million, an increase of 8% over 2015. Other income becomes increasingly important for all financial institutions as interest margins have continuously compressed since 2008.

Total operating expenses of the credit union only increased by 2% or \$374 thousand over 2015. Operating expenses are also expressed as a percentage of average assets and Tandia achieved its lowest ratio in 2016 at 2.20% down from 2.29% in 2015. As the credit union grows their assets, expenses as a percentage of assets should be declining year over year.



The credit union has remained in compliance with all legal requirements for Regulatory Capital. The following chart summarizes Tandia's capital position at the end of 2016 in comparison to 2015.

	2016	2015	Change
Regulatory Capital (000's)	\$59,486	\$43,442	\$16,044
Leverage Ratio (% of total assets)	6.2%	4.8%	1.4%
Min. Regulatory Limit	4.0%	4.0%	
Risk Weighted Ratio (% of total risk-weighted assets)	13.8%	10.4%	3.4%
Min. Regulatory Limit	8.0%	8.0%	
Tier 1 Capital (000's)	\$55,752	\$40,479	\$15,273
% of Total Capital	93.7%	93.2%	
Tier 2 Capital (000's)	\$3,734	\$2,963	\$771
% of Total Capital	6.3%	6.8%	

The strong income results in 2016 and the issuance of the new Investment Shares helped improve Tandia's overall capital levels. Management is committed to implementing strategies to continue to strengthen Tandia's capital base. The capital levels are monitored monthly and presented to the Board and forecasted capital levels are monitored to ensure that a cushion is maintained for stability of the credit union. Tandia's Strategic Business Plan, presented to the Board annually, includes long term capital planning to ensure the credit union can continue to grow the business in the communities that we serve as well as seeking new areas for branch expansion.

The credit union distributed \$837 thousand to members who hold Class B Investment Shares and Profit Shares. Liquidity ratios remained well above prudent policy at 6.4%.

Looking forward to 2017, the economic environment will persist and the competitive landscape will continue to intensify. Due to the federal and provincial policy changes announced in 2016, the housing market may soften in 2017. The Bank of Canada has maintained a cautious tone and the expectation is that the overnight target rate will hold steady. We will continue to work with our partners to improve efficiency and focus on technological innovation in order to continuously improve our financial strength and maintain higher profitability levels.

Audit and Operational Risk Committee Report



MIKE VEERMAN
AUDIT & OPERATIONAL
RISK COMMITTEE CHAIR

Tandia Financial Credit Union has maintained an Audit and Operational Risk Committee as required by Section 125 of the Credit Unions and Caisses Populaires Act, 1994 and Ontario Regulation. The Audit and Operational Risk Committee meets at least quarterly and is composed of four members appointed by the Board of Directors from amongst the directors.

The 2016 Audit and Operational Risk Committee members were: Mike Veerman (Chair), Jackie Aird, Ivana Fortino and Dan Popov. Elaine Simon attends meetings in her Ex-Officio role.

The Audit and Operational Risk Committee's oversight role encompasses four critical responsibilities:

1. Review of financial reporting
2. Risk management and controls
3. Audit activities
4. Compliance activities

At the start of each year the Audit and Operational Risk Committee develops a plan that addresses all the areas to ensure that it achieves its mandate of responsibility. Oversight by the committee relates to monthly financial reporting, quarterly internal audit reporting to evaluate internal controls and review of the Enterprise Risk Management (ERM) Framework. In addition, any ongoing emerging risks or compliance issues are reviewed and reported to the Board of Directors. It is the responsibility of the Audit and Operational Risk Committee to report any updates, recommendations or reviews to the full Board of Directors in a timely fashion.

Highlights from 2016 are as follows:

- Grant Thornton LLP – Audit Plan 2016
- Confirmed that for year end December 31, 2015 there were no material findings outstanding
- Review the evaluation of an external Internal Auditor appointment
- Quarterly review of goals, objectives and results by the Internal Auditor
- Credit Union Services Association (CUSA) Audits specifically IT Security and Internal Vulnerability Audit and IT Applications Audit
- Receive and review quarterly ERM reports
- Receive and review quarterly Fraud Reports and Anti-Money Laundering Reports
- Credit Risk and Insurance Management Services review and report
- Review and approve Board policies pertaining to the Audit and Operational Risk Committee
- Review of Business Continuity and Disaster Recovery Plan

The Audit and Operational Risk Committee is not aware of any other matters that are required to be disclosed pursuant to the Act or the Regulations. It is effectively conducting its affairs in accordance with the Act and Regulations and has received, and continues to receive, full cooperation from management.

With the 2016 Audit Plan concluded, the Audit and Operational Risk Committee is satisfied with the policies, procedures and internal controls engaged by management in conducting the business of Tandia Financial Credit Union.

Financial Responsibility Report

The information in this annual report and the accompanying summarized financial statements are the responsibility of Management and have been approved by the Board of Directors.

Management is responsible for preparing the financial statements and for ensuring their reliability and accuracy. These financial statements have been prepared in accordance with International Financial Reporting Standards. When required to make estimates, management did so to the best of its knowledge.

The accounting system of Tandia Financial Credit Union Limited and related internal controls and procedures are designed to ensure the reliability of financial information and, to a reasonable degree, safeguard assets against loss or unauthorized use. These procedures include standards in hiring and training employees, an organizational structure with clearly defined lines of responsibility, written and updated policies and procedures, planning and follow-up of projects and budget controls. In addition, in the course of carrying out duties, the Internal Auditor may confer at any time with the Audit and Operational Risk Committee. Composed entirely of directors of Tandia, this Committee ensures that management has fulfilled its responsibilities with respect to financial information and the application of internal controls. During 2016, the Audit and Operational Risk Committee met nine times.

Deposit Insurance Corporation of Ontario will examine the affairs of Tandia to ensure that the provisions of its constituent legislation, particularly with respect to the protection of depositors, are duly observed and that Tandia is in sound financial condition.

The independent auditors appointed via the Amalgamation Agreement, Grant Thornton LLP, have the responsibility of auditing the financial statements in accordance with Canadian generally accepted auditing standards and of expressing their opinion. Their report follows. They may, at any time, confer with the Audit and Operational Risk Committee on all matters concerning the nature and execution of their mandate, particularly with respect to the accuracy of financial information provided by Tandia and the reliability of its internal control systems.

Tandia Financial Credit Union Limited

Mississauga, Ontario
February 22, 2017

Richard Davies
President & CEO

Sandy Alward
SVP, Finance & Administration

Report of the Independent Auditor on the Summary Financial Statements



To the Members of
Tandia Financial Credit Union Limited:

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2016, the summary statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, are derived from the audited financial statements of Tandia Financial Credit Union Limited as at December 31, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated February 22, 2017. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Tandia Financial Credit Union Limited.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 1.

Auditors' responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Tandia Financial Credit Union Limited for the year ended December 31, 2016 are a fair summary of those financial statements, on the basis described in Note 1.

Mississauga, Canada
February 22, 2017

Chartered Professional Accountants
Licensed Public Accountants

Summary Statement of Financial Position

December 31	2016	(in thousands)	2015
Assets			
Cash and cash equivalents	\$ 1,843		\$ 8,190
Investments	77,030		85,666
Loans to members	870,136		801,488
Income taxes recoverable	-		122
Other assets	5,465		4,125
Prepaid securitization fees	1,487		965
Derivative financial instruments	518		597
Property and equipment	8,653		8,937
Intangible asset	-		365
Deferred income taxes	92		-
	\$ 965,224		\$ 910,455
Liabilities			
External borrowings	\$ -		\$ 10,000
Secured borrowings	218,543		153,456
Payables and accruals	1,031		1,119
Income taxes payable	220		-
Deferred income taxes	-		77
Deposits of members	686,237		702,340
Derivative financial instruments	895		1,039
Shares	2,015		1,461
	908,941		869,492
Equity			
Shares	27,454		12,618
Retained earnings	15,615		15,161
Accumulated other comprehensive income	1,215		1,185
Contributed surplus	11,999		11,999
	56,283		40,963
	\$ 965,224		\$ 910,455

On behalf of the Board

Elaine Simon,
Chair, Board of Directors

Mike Veerman,
Chair, Audit and Operational Risk Committee

Summary Statement of Comprehensive Income

December 31	2016	(in thousands)	2015
Financial income			
Interest on member loans	\$ 24,472		\$ 25,739
Interest on securitized loans	5,792		3,506
Other interest revenue	1,690		1,002
	<u>31,954</u>		<u>30,247</u>
Financial expense			
Interest on member deposits	9,091		10,464
Securizations expense	3,654		2,134
Other interest expense	338		152
	<u>13,083</u>		<u>12,750</u>
Financial margin	18,871		17,497
Other income	4,158		3,837
Provision for impaired loans	285		21
Operating margin	<u>22,744</u>		<u>21,313</u>
Operating expenses			
Salaries and benefits	12,937		12,322
Occupancy	1,993		1,912
Computer, office and other equipment	2,161		2,305
Advertising and communications	884		643
Member security	861		875
Administration	1,616		1,967
Other	778		832
	<u>21,230</u>		<u>20,856</u>
Net income before taxes	1,514		457
Income taxes	192		33
Net income for the year	<u>1,322</u>		<u>424</u>
Other comprehensive income (net of tax)			
Items that may subsequently be reclassified to profit or loss			
Change in unrealized gains on available-for-sale investments	30		92
Total other comprehensive income for the year	<u>30</u>		<u>92</u>
Total comprehensive income for the year	<u>\$ 1,352</u>		<u>\$ 516</u>

Summary Statement of Changes in Members' Equity

December 31

(in thousands)

	Shares	Retained earnings	Accumulated other comprehensive income	Contributed surplus	Total
Balance at December 31, 2014	\$ 12,496	\$ 15,262	\$ 1,093	\$ 11,999	\$ 40,850
Net income	-	424	-	-	424
Distributions to members	-	(525)	-	-	(525)
Issue of profit shares	39	-	-	-	39
Issue of investment shares	393	-	-	-	393
Redemption of profit shares	(310)	-	-	-	(310)
Change in unrealized gains on Available-for-sale investments	-	-	92	-	92
Balance at December 31, 2015	12,618	15,161	1,185	11,999	40,963
Net income	-	1,322	-	-	1,322
Distributions to members	-	(868)	-	-	(868)
Issue of profit shares	47	-	-	-	47
Issue of investment shares	15,027	-	-	-	15,027
Redemption of profit shares	(238)	-	-	-	(238)
Change in unrealized gains on Available-for-sale investments	-	-	30	-	30
Balance at December 31, 2016	\$ 27,454	\$ 15,615	\$ 1,215	\$ 11,999	\$ 56,283

1. Basis of presentation

The summary financial statements are derived from the audited financial statements, prepared in accordance with IFRS as at December 31, 2016 and 2015 and for the years then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be included so that they are consistent in all material respects with, or represent a fair summary, of the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- The summary financial statements include a statement for each statement included in the audited financial statements;
- Information in the summary financial statements agrees with the related information in the audited financial statements;
- Major subtotals, totals and comparative information from the audited financial statements are included; and
- The summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summary financial statements.

In addition, a copy of the audited financial statements is available to any member, upon request, at any branch of the credit union.

Summary Statement of Cash Flows

December 31	2016	(in thousands)	2015
Increase (decrease) in cash and cash equivalents			
Operating			
Net income	\$ 1,322		\$ 424
Provision for impaired loans	285		21
Depreciation and amortization	1,300		1,274
Deferred income taxes	(169)		(144)
Income taxes payable (recoverable)	342		(109)
Fair value of interest rate swap contracts	(65)		(42)
Distributions to members	(868)		(525)
Proceeds on disposition of capital asset	12		-
Changes in members' activities:			
Increase in loans to members (net)	(69,018)		(48,400)
(Decrease) increase in deposits of members (net)	(15,877)		13,488
Other non-cash items	(1,950)		(4,930)
	<u>(84,686)</u>		<u>(38,943)</u>
Financing			
Repayment of external borrowings	(10,000)		-
Increase in secured borrowings	65,087		71,262
Increase in shares (net)	15,390		73
	<u>70,477</u>		<u>71,335</u>
Investing			
Proceeds from (purchase of) investments (net)	8,461		(29,552)
Distributions received from CUCO Co-op investment	206		-
Purchase of property and equipment	(805)		(718)
	<u>7,862</u>		<u>(30,270)</u>
Net (decrease) increase in cash and cash equivalents	(6,347)		2,122
Cash and cash equivalents			
Beginning of year	8,190		6,068
End of year	<u>\$ 1,843</u>		<u>\$ 8,190</u>
Interest received	\$ 32,069		\$ 30,587
Interest paid	\$ 13,624		\$ 12,851
Income taxes paid	\$ 171		\$ 321
Patronage dividends paid	\$ 17		\$ 9

Three Year Financial History

Year End Balances	2016	2015	2014
		(in thousands)	
Statement of Financial Position			
Personal Loans and Lines of Credit	\$ 47,455	\$ 53,234	\$ 56,719
Mortgage Loans & Meritlines	614,178	562,170	532,118
Commercial Loans	209,053	186,581	165,103
Less allowance for loan losses	(1,572)	(1,482)	(1,723)
Accrued Interest Receivable	1,022	985	953
Total Loans	870,136	801,488	753,170
Chequing and Savings	245,350	233,250	226,849
Term and other Deposits	276,402	298,382	291,409
Registered Savings Plans	155,205	161,197	161,590
Other Registered Deposits	5,059	4,749	4,367
Accrued interest on deposits	4,221	4,762	4,863
Member shares	29,469	14,079	14,006
Total Deposits & Equity Shares	715,706	716,419	703,084
Total Balance Sheet Assets	965,224	910,455	829,686
Annual % Increase	6%	10%	
Total Loans	870,136	801,488	753,170
Total Deposits	686,237	702,340	689,078
Total Investment Shares	26,375	10,764	10,369
	1,582,748	1,514,592	1,452,617
Total Other Assets and Other Services Under Administration	230,001	211,057	200,021
Annual % Increase	9%	6%	
Total Assets Under Admin.	1,812,749	1,725,649	1,652,638
Annual % Increase	5%	4%	
Statement of Income			
Net Interest Income	31,954	30,247	30,503
Other Income	4,158	3,837	4,789
Provision for impaired loans	(285)	(21)	(1,548)
Operating Margin	35,827	34,063	33,744
Total Operating Expenses	21,230	20,856	22,905
Income from operations before patronage distributions and income taxes	1,514	457	147
Distribution to members	868	525	476
Income Taxes	192	33	(121)
Retained Earnings	15,615	15,161	15,262



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